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Cotton and Products

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Report Highlights:

The 2001 cotton crop is finally estimated at 1,340,000 MT of seed cotton, up slightly from 2000, corresponding to 455,600 MT of lint, a 42,000 bale increase over the previous year. Despite efforts to limit acreage of cotton crop, yields have increased sharply due to in favorable weather and the use of higher quality seed. The Ministry of Agriculture reports that in 2002, cotton acreage planted is reduced by about 6% compared to that in 2001. Lint exports from Greece are expected to be 200,000 MT for MY 2001/2002, destined mainly to the EU and Turkey. Despite concerns over biotech content and strict GOG regulations, imports of U.S. seed reached 4,600 MT since January 1st, 2002 .

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SITUATION AND OUTLOOK

According to the Hellenic Cotton Board and the Ministry of Agriculture, the 2001 cotton crop was approximately 1,340,000 MT (seed cotton), from an estimated planted acreage of 415,000 Ha (410,000 Ha harvested). The Ministry of Agriculture's preliminary estimate for 2002, based on total plantings this spring, is that cotton acreage and output are expected to be reduced by approximately 6%. Some trade sources and farm groups predict steeper acreage reduction estimates for 2002, of about 10-12%. Despite excellent harvesting conditions in 2001 ginners report that cotton was not delivered on time and that ginning took longer. This took place because farmers held out for a change in the official support price for lint. Ultimately, lower prices were paid to farmers for the 2001 crop, which exceeded the EU quota by almost 200,000 MT of seed cotton. For the past few years yields were recorded in both the fields and cotton mills due to ginning plant technical improvements. The number of gins was reduced, and overall modernization and expansion of production lines occurred. The number of gins operating in the late 90s was 75, but in the year 2000 there were 70, while the total national capacity has increased. Ginning yields in 2000 and 2001 were also high (34% average) compared to the normal range of 32.2 -32.5% in the last several years. These figures are reported by the Farmer's Associations and cotton millers and they are also reported to the EU.

According to EU Regulations No.1050/2001 and 1051/2001 the production quota for both Spain and Greece was set at 1,031,000 MT of seed cotton. Over this amount, the target price is reduced for both producing states as described in Article 3, Paragraph 1 of the Regulation No.1051 Chapter II (under price "mechanisms").

For the 2001 crop, farmers received payments of approximately 0.52-0.58 euros/kg in September- December 2001 and 0.64-0.67 euros/kg since February 2002, for the same cotton crop. The corresponding prices for the 2000 harvest were significantly higher due to better qualities delivered to the mills, with acceptable moisture content and for a smaller crop which has not exceeded the EU set quota by much. A negligible corresponsibility levy was paid which has slightly affected final grower prices paid.

Total cotton lint exports from Greece reached 300,000 MT in CY 2000 of a total value at 324.15 million euros. Exports are expected to be much lower in CY 2001 and 2002. Exports are expected to be between 200-260,000 MT annually (preliminary estimates). The sharp increase in 2000 was due to large sales to Turkey which accounted for 45 percent of total Greek exports that year. The remaining amounts are exported mainly to EU markets and third countries. Official statistics provided by the National Statistical Service (NSS) show Greek cotton exports until CY 2000. No CY 2001 official trade data are yet available. In 2002 the Hellenic Cotton board will cease to exist. Some of the board's functions are to be assumed by the Ministry of Agriculture.

Total imports of US cotton seed for planting this year were close to 4,600 MT which was evenly distributed throughout all cotton farming regions and planted. Seed imports took place under strict control of the GOG Ministry of Agriculture. Seed imports were allowed with required documentation certifying that the cotton seed was tested and found free of adventitious biotech presence. Additional details on the procedures for seed imports are reported in GR2003.

SUPPLY & DEMAND, POLICY & MARKETING

Production

According to official information published by the Hellenic Cotton Board (HCB), cotton lint output cited in the attached PS&D for 2001 is final and not subject to further revisions. To date more than 95% of the 2001 crop is graded.

Due to excessive production in 2001, Greek farmers are not qualified for the full target price which is 106.30 euros/100 Kg (seed cotton basis). The European Commission is aware of the actual quantity delivered to cotton mills, reported as 1,340,000 MT.

Based on calculations described by the relevant regulations pertaining to EU support measures for cotton, Greek farmers for the 2001 crop got 0.52 - 0.67 euros per Kg delivered to the cotton mill, compared to 0.93 euros/Kg a year earlier (2000 crop). These developments caused sustained and aggressive protests by Greek cotton farmers who asked the government to supplement their income (see also GR 2003 on these developments).

Quality of product (2001 output) was excellent at harvest, but was slightly downgraded later for those bales which were kept outdoors. Bales temporarily kept outside warehouses were affected by bad weather.

Due to the lower prices paid for the 2001 crop, the GOG has initiated talks with farmer organizations in an attempt to convince them that the higher output does not always mean higher prices. EU regulations actually impose high levies when production exceeds quotas.

Yields in 2001 reached 3.268 Kgs/HA (seed cotton basis), which are among the highest in the past 6 years. Better growing practices, highly improved genetic material (mostly imported from the US) and favorable weather during planting and harvesting are the main factors contributing to this result. Some reduction of acreage is recorded for 2002 without much of a proportionate reduction of output, due to high yields. Some fields in fertile soils in the regions of Macedonia and Thessaly produced up to 3,400 kgs/HA of seed cotton (seeds were US origin).

Cotton has become the major field crop in Greece for both planted area and farmer income. Due to comparatively less water demand, cotton has proved to be more profitable than other irrigated crops in Greece such as industrial tomatoes, cereals and sugar beets. This, together with the heavy subsidization of the sector, is one of the many reasons for cotton's expansion in the past two decades. For the current year, it is reported that the total cotton planted area is estimated at approximately 390,000 hectares which under normal conditions will yield approximately 1,140,000-1,150,000 MT of seed cotton or 388,000 MT of lint with a probable 34% yield ratio at the cotton mill. The 2002 harvest will be late by 1-2 weeks due to late sowing which took place after excessive rain in April.

The EU has asked the Greek Government to reduce output to meet EU quota levels by encouraging farmers to reduce acreage and avoid the corresponsibility levies. Growers with large areas (over 6 hectares) were instructed to reduce their planted area to 6 hectares in order to be eligible for the EU price subsidy. Although this measure was expected to reduce total national acreage, it did not work in practice. Big farmers rented their extra land to smaller farmers or family members and total acreage remained high. In 2002, there will be a slight reduction of acreage but yields are expected to be up and farmers will likely be penalized, based on output and not on planted acreage basis. However,

for the last crop of 2001, farmers have been concerned about the penalties.

The target set by the Ministry of Agriculture for this year's planting acreage, is reported to be 390,000 Ha in order to minimize Correspondibility levies (penalties) paid by farmers. In practice however, the actual cotton area per region planted for 2002 is estimated to be the following:

Area	2002*
Thrace	55,000 Ha
Macedonia	100,000 Ha
Thessaly	130,000 Ha
W. Greece	15,000 Ha
Central Greece	90,000 Ha
TOTAL	390,000 Ha

* Figures are preliminary rough estimates based on Ag. Office's sources (Min. Ag. excluded).

The SJ2 Acala variety, the most commonly used, is of U.S., Israeli, Australian and Spanish origin. According to the Cotton Institute of the Ministry of Agriculture, it is found that the U.S. origin seeds have the best germination performance and higher yields. SJ2 is similar to the Greek variety ZETA 2 (created by the Greek Cotton Institute from ACALA parent stock).

Imported seed is handled by private importers and for 2000 was estimated to be 8,000-8,500 MT (out of a total of 12,000 MT planted per year) with 55%-60% of the imported seed originating from the U.S. According to seed traders, this year despite concerns over biotech presence and strict GOG control for adventitious GMO presence in conventional seed, US cotton seed imports were slightly over that purchased in 2001, reportedly near 4,600 MT.

Crop quality in 2001/02 was lower than a year earlier because late deliveries of lint to millers downgraded quality.

CONSUMPTION

The quantity and quality of cotton produced in Greece is sufficient to cover requirements of domestic consumption and leave a considerable surplus for export. Consumption within Greece fluctuates between 160-165,000 MT of lint, including both domestically produced and imported cotton. Domestic consumption of domestically produced cotton plus some imported cotton which amounts to 5,000-6,000 MT annually show an increase (1,000 -1,200 per year MT for the past 3-5 years), due to increased lint utilization by the domestic spinning industry and improvement of quality. (Extra long staple (ELS) cotton is imported but not grown in Greece).

Yarn production in Greece (2000) is estimated at approximately 140,000 MT (annual basis) compared to only 85,000 MT ten years ago. Yarn produced of natural cotton accounts for almost 65 percent of total yarn production in Greece,

while synthetic blends account for about 15 percent.

Other types of yarn produced in Greece include natural silk (1.5 percent), rayon (4.5 percent), wool (7.0 percent) and polypropylene (7 percent). According to the industry, a preference for cotton fabrics far exceeds that of synthetics. Over 40% of the Greek yarn industry's cost of production is for buying cotton lint.

The cotton spinning industry in Greece in 2000 had 1,355,000 ring swindles and 36,500 open end rotors. No increase of this capacity is reported.

The total number of gins operating in Greece was 70 in MY 2000/2001, 25 of which were cooperative and 45 private. The ginning period ends in March/early April. The number of private cotton mills and total capacity is increasing but the number of cooperative ginning plants is decreasing, as many are going out of operation due to high debts.

STOCKS

Cotton lint stocks have shown a reduction in the past four years, due to large exports, (particularly now that the Turkish market is open) a gradual increase in domestic consumption and large export sales in CY 2000 which reached 300,000 MT. The combination of this high demand and the high quality of the majority of recent crops has opened new markets for Greek cotton, diminishing lint stocks to normal manageable levels. For the current marketing period, international prices are low (compared to a year earlier) and traders predict that exports will be reduced, compared to those in 2000.

Stocks in the hands of spinners, traders and ginners of higher quality cotton grades or mixed grades are considered at normal levels. Lower graded cotton is held by farmers or cooperative organizations.

TRADE

Greek exports of cotton trended upward through CY 1999 and 2000, when exports reached 327,000 MT and 300,000 MT respectively. The biggest importers of Greek cotton are Turkey and the EU.

U.S. cotton imports into Greece have drastically declined in the past few years due to stiff competition from domestic cotton and other exporters. Reportedly, some amounts recorded to be from Ireland, Germany and Italy may be of US origin purchased by Greek spinners. These limited amounts of HVI certified U.S. cotton are purchased by Greek manufacturers in order to reinforce their blends, because U.S. cotton is strong and uniform. Some extra long staple cotton is also purchased from Egypt (approximately 700-800 MT).

There are no significant changes in yarn volume either imported or exported, for many years. The only change is that, in the past 5 years, more cotton yarn has been sold for use by the domestic textile industry, but the Greek textile industry faces strong competition from imported items produced at a lower cost. The total value of yarn sales to the Greek textile industry in 2000 is estimated at 550 billion drachmas or \$180 million (with over 100 companies in business).

MARKETING

Marketing of cotton and products takes place by individual cotton trading firms with no support by the state. There are

no significant changes in marketing since last year's report GR1010.

PS&D Table, Cotton

PSD Table						
Country	Greece					
Commodity	Cotton				(HECTARES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		08/2000		08/2001		08/2002
Area Planted	0	415000	0	415000	0	390000
Area Harvested	410000	410000	410000	410000	0	380000
Beginning Stocks	147183	72178	146095	40178	193994	129778
Production	443074	443000	457226	455600	0	388000
Imports	4355	5000	4355	5000	0	7000
TOTAL SUPPLY	594612	520178	607676	500778	193994	524778
Exports	283045	310000	250386	200000	0	260000
USE Dom. Consumption	154586	162000	152409	165000	0	165000
Loss Dom. Consumption	10886	8000	10886	6000	0	6700
TOTAL Dom. Consumption	165472	170000	163295	171000	0	171700
Ending Stocks	146095	40178	193994	129778	0	93078
TOTAL DISTRIBUTION	594612	520178	607675	500778	0	524778

Export Trade Matrix, Cotton

Export Trade Matrix			
Country	Greece		
Commodity	Cotton		
Time period		Units:	MT
Exports for:	1999		2000
U.S.	48555	U.S.	202
Others		Others	
Germany	19975	Germany	11501
U.K.	27463	U.K.	23259
Italy	31445	Italy	37809
Austria	2915	France	9483
Other EU	21058	Spain	4121
Turkey	102688	Other EU	8604
Bulgaria	15470	>EU Total	94777
		Turkey	134967
		Bulgaria	14872
Total for Others	221014		244616
Others not Listed	56940		55117
Grand Total	326509		299935

Import Trade Matrix, Cotton

Import Trade Matrix			
Country	Greece		
Commodity	Cotton		
Time period		Units:	MT
Imports for:	1999		2000
U.S.	323	U.S.	215
Others		Others	
Italy	2084	Italy	619
Germany	545	Belgium	1663
Ireland	748	France	726
Other EU	567	Other EU	1525
>EU Total	3944	>EU Total	4533
Turkey	717	Turkey	259
Pakistan	421	Pakistan	478
		Egypt	757
		Ethiopia	2085
Total for Others	5082		8112
Others not Listed	1092		166
Grand Total	6497		8493